

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2076 - SB 2474

February 7, 2020

SUMMARY OF BILL: Authorizes municipalities meeting certain parameters to levy privilege taxes on certain sales within their jurisdiction. Adds payment of debt service to the list of items upon which applicable local governments must expend 75 percent of proceeds collected from the levy of such privilege taxes.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue –

\$74,800/FY20-21 and Subsequent Years/Permissive/City of Jellico

Assumptions:

- Pursuant to Tenn. Code Ann. §67-4-504, municipalities located within a tourist resort county which also has two premier type tourist resort municipalities are authorized to levy:
 - A privilege tax up to two percent restaurant sales; and
 - A privilege tax up to three percent on amusement sales.
- Gatlinburg, Pigeon Forge, and Sevierville are the only applicable municipalities under current law.
- The proposed language expands applicability to municipalities which:
 - Have a state park located within their corporate limits;
 - Are located within three miles of an off-highway vehicle trail authorized by the Tennessee Wildlife Resources Agency (TWRA); and
 - Have established off-highway vehicle access trails allowing the operation of off-highway vehicles on municipal streets.
- The only municipality these new qualifications are presumed to apply to is Jellico.
- According to the Department of Revenue, in FY18-19, within Jellico:
 - State sales tax collections on restaurants were \$261,908;
 - There were no state sales tax collections on amusements.
- Pursuant to Tenn. Code Ann. § 67-6-228(b), the state sales tax rate on prepared food is seven percent.
- Taxable restaurant sales within Jellico are estimated to be \$3,741,543 (\$261,908 / 7.0%). This figure is assumed to remain constant into perpetuity.
- The City of Jellico will levy a two percent restaurant tax.
- The recurring, permissive increase in local government revenue for the City of Jellico is estimated to be \$74,831 (\$3,741,543 x 2.0%).

- Pursuant to Tenn. Code Ann. § 67-4-504(g), 75 percent of the proceeds collected from such privilege taxes are required to be used for tourism promotion; tourism infrastructure, and tourism advertising. The proposed language adds payment of debt service to these required uses for such revenue.
- Expanding the items upon which such revenue must be used will not result in any significant shift in the total amount of revenue or expenditures of such local governments; therefore the net impact is considered not significant.
- Any increase in expenditures for the City of Jellico to enforce and administer the tax is estimated to be not significant and can be accommodated within existing resources of the city.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jrh